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Poland

Livestock and Products

Development of Beef Industry in Poland

2006

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Report Highlights:
Quick development of Poland's beef industry is a major agricultural policy objective of the current Polish government. Future increased beef output in Poland will result in higher exports to other EU markets and is not expected to compete with U.S. exports in third markets, at least not anytime soon. However, expected changes in the Polish beef industry will increase demand for imported U.S. beef cattle semen and embryos.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Warsaw [PL1]
[PL]

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Executive Summary

EU accession on May 1, 2004, had a positive impact on Poland's livestock industry, mainly due to an increase of exports of animal products to other EU markets. Both beef meat and live cattle experienced strong growth after EU accession. From May 1, 2004 to April 30, 2005, exports of live cattle increase by almost 60 percent in comparison to the same period one year earlier. In the same period, exports of beef meat increased by 77 percent. High demand for Polish beef and fattening cattle stems from shortages of beef in other EU countries and competitive prices offered by Polish producers. The Government of Poland (GOP) has incorporated the development of the beef industry into its major agricultural policy goals. The GOP plans to use EU structural funds to support the development of the Polish beef industry. Relatively cheap land and labor and large areas of natural pastures combined with the need to restructure the current cattle herd as a result of milk production quota are the major factors driving development of the beef industry. In addition, cattle prices in Poland still remain 20 to 30 percent below the average EU price. It is unlikely that the development of the beef industry will harm U.S. beef exports and could help U.S. semen and embryo suppliers. The majority of Polish beef exports are expected to be shipped to other EU markets. Poland was closed to U.S. beef when it joined the EU, due to the EU hormone ban. GOP officials note that they are required to enforce EU regulations but, otherwise, they do not seem to have a strong position on this issue. It seems that there would be some support for lifting the ban within the Polish Association of Meat Importers and Exporters and the Association of Beef Producers. Local scientists do not believe the ban is based on sound science.

Production

Beef production has no tradition in Poland. The majority of Polish beef originates from dairy herds. Beef cattle production is in the beginning stages of development.

Inventories of Cattle in Poland (000 Head)

	2003	2004	2005	2006
Total Cattle	5,421	5,277	5,200	5,450
Dairy Cows	2,967	2,816	2,730	2,700
Beef Cattle	30	35	45	50
Purebred Beef Cows	12	14	15	16

The introduction of the EU dairy quota after accession forced farmers to reduce dairy cattle inventories. Farmers who decided to specialize in dairy production invested in genetics, importing high yielding Holstein cows from Germany, the Netherlands and France or importing semen from the United States and Canada. A quick increase in average milk yield resulted in a decline of dairy herd inventories.

Realizing that many farmers must quit dairy production due to milk quota limitations, the GOP has announced that the development of beef cattle production is one of its major agricultural policy goals. Poland has natural conditions for the future development of beef cattle production based on cow/calf operations. In the northeastern part of the country especially, there are large areas of natural pastures, which can be easily transformed for beef cows.

Beef Production and Trade (000 MT, CWE)

	2003	2004	2005	2006*
Production	295	280	280	285
Exports within EU25	33	79	130	140
Exports outside EU25	65	18	30	20
Imports within EU25	0	3	6	6
Imports outside EU25	0	2	4	4

*Forecast

Prices

In May 2004, after EU accession, beef prices in Poland were 50 percent lower than prices in other EU countries. In March 2006, almost two years after EU accession, beef prices in Poland still remain 20 to 30 percent below the EU average price level.

Average Beef Prices in Poland in Comparison to the EU
(Euro/100 kilograms, CWE)

Country	Young Fattening Cattle	Cows	Heifers
EU Average	292	245	296
Poland	225	191	196
% of the EU Price	77	78	66

Source: Meat Industry Bulletin, March 2006

Consumption

Annual per capita consumption of beef in Poland dropped from 16.0 kilograms in 1990 to 5.3 kilograms in 2004. The significant decline in consumption stems primarily from competition from less expensive and what is considered “healthier” poultry meat. In addition, there is a lack of traditional consumption of beef in Poland and of good quality beef on the market. Long term projections indicate a slight future increase in beef consumption to an estimated 6 kilograms per person, as purchasing power increases.

Trade

Poland is one of the major exporters of beef and beef products in the European Union. Total exports of beef in 2005 are estimated at 160,000 tons (CWE) compared to 97,000 tons in 2004. EU accession in May 2004 stimulated internal EU25 exports of Polish beef, which grew from 33,000 tons in 2003 to 130,000 tons in 2005.

Apart from exports of beef and beef products, Poland is the largest EU exporter of calves for further fattening and young fattening cattle. Most of the cattle are exported to other EU member states, primarily Italy and the Netherlands.

Exports of Live Cattle from Poland (000 Head)

	2003	2004	2005	2006*
EU-25 Countries	399	799	500	500
Other Countries	161	121	100	100
Total	560	920	600	600

*Forecast

Current shortages of beef in the EU25 estimated at 400,000 tons (Source; Agra-Europe) are expected to stimulate imports of beef from Poland in the 2007-2013 period. Exports of live cattle (mostly calves for further fattening) to other EU countries are expected to be significantly reduced in 2010, when new EU animal welfare legislation comes into force and limits transportation of young animals to a distance of 100 kilometers.

Policy

It is expected that favorable natural conditions, low land and labor prices as well as support from the GOP will result in the rapid development of the Polish beef cattle industry. On March 15, 2006, the Association of Polish Beef Cattle Producers submitted to the Minister of Agriculture and Rural Development a "Program of Development of Beef Cattle Production from 2007 to 2013". The Program assumes an increase in the beef cattle herd from current 45,000 head to 325,000 head in 2013. This increase will be accomplished by using culled dairy cows and imported beef cattle semen. This is expected to lead to an increase in demand for U.S. beef cattle semen, since the major Polish semen importers have long experience with importing U.S. dairy semen and genetics. According to the EU accession agreement, Poland received the following upper limits of beef production support:

- special beef premium – 926,000 head
- slaughter premium for calves – 839,500 head
- slaughter premium for adult cattle – 1,815,400 head
- beef cows premium – 325,500 head

As Poland chose direct payments based on area, the afore mentioned limits were decoupled from production and incorporated into general area direct payments for all farmers in Poland. The GOP is considering the following methods of support for the development of the beef cattle sector:

- Separation of the beef cow premium from area direct payments and allocating it to direct production payments;
- Use of EU structural funds to support beef farmers through operational programs to improve competitiveness of farms and rural development programs;
- Support to beef farmers from domestic funds.

An increase in beef cow inventories to 325,000 head by 2013 would result in an estimated increase in beef production by 30 percent in comparison to the current level. The majority of the increase would be destined for export within the EU25 market and would strengthen Poland's position among major exporters of beef in the EU. In order to reach this goal Poland will have to limit slaughter and exports of live calves and develop its beef cattle fattening industry. The majority of calves exported from Poland currently are fattened and slaughtered in Italy. Low local consumption and prices and changes to EU regulations are expected to stimulate the development of domestic beef production and exports of meat instead of live animals.

Hormone Ban.

Due to the EU hormone ban, exports of beef from the United States to the EU are almost negligible. Before EU accession, Poland had been importing mostly U.S. beef tripe and a small but increasing amount of quality beef. Total Polish beef tripe imports were estimated at US$12-15 million out of which the United States supplied up to 50 percent. As of January 1, 2006, the EU harmonized the tariff classification and imports into Poland stopped due to the hormone ban. The Polish Association of Meat Producers, Importers and Exporters recently expressed its support to lift the ban. The Association is under strong pressure from beef tripe processors who have been experiencing difficulties in obtaining good quality and reasonably priced heat-treated beef tripe since U.S product has been banned. The ban on U.S. beef tripe and the unstable animal disease status of Brazil and Argentina have prevented adequate imports. The Association also supports imports of quality beef to Poland, which in their opinion would develop consumption of beef and stimulate domestic production. The Association plans to lobby the GOP to allow imports of beef tripe from the United States and work to remove the EU hormone ban entirely. It is difficult to evaluate the current position of the GOP regarding the EU hormone ban. In response to inquiries, Ministry of Agriculture and veterinary officials state, that, as an EU member, Poland must follow EU regulations on this matter. A leading Polish scientists recently mentioned unofficially that in the opinion of Polish veterinary scientists, the EU hormone ban is difficult to justify on the basis of science.

Third Markets Competition.

Because of the opportunities in other EU markets and quality differences with U.S. beef (at least in the short-term), it is highly unlikely that Polish beef will compete with U.S. beef in third country markets within the next decade.